



# Monthly Economic Update

## October 2004



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This report is an update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** Based on the latest round of economic indicators the nation's economy grew 3.9% during the third quarter, which is lower than the 4.9% average in the past four quarters. Major contributors to the increase were consumer purchases of durable goods (?17.2%), business investment in equipment (?17.2%), and defense spending (?9.8%). Industrial production (?0.7%), housing starts (?6.4%), and consumer spending (?0.9%), excluding auto sales, all increased in October suggesting solid economic growth will continue into the fourth quarter.

While the national indicators exhibited strength during the third quarter, the economic indicators for the Washington metropolitan region and for the County showed mixed results. The coincident indicator of economic activity for the Washington MSA decreased slightly in September but compared to September 2003 was up 13.2 percent. The index increased ten of the past twelve months. Declines in domestic passenger volume and retail sales of nondurable goods led the decrease, while regional employment and consumer expectations increased.

➤ **Construction.** Construction in the County experienced mixed results in October. The number of non-residential building permits increased 35.6% while the value of new construction starts dropped 33.0%. Throughout the year, however, both the number of permits (?5.4%) and the value of new construction starts (?32.6%) increased. While the number of residential permits nearly tripled and the value of new construction increased 13.4% in October compared to October 2003, both indicators (permits ?15.8%; construction ?16.4%) declined during the year compared to the January-October period last year. Such declines in residential

construction suggest that any growth in the assessable real property tax base for the County will continue to come primarily from reassessments rather than from new construction.

➤ **Real Estate.** Sales of existing homes increased 4.7% in October and are up 7.5% for the year. Prices continued their remarkable pace with the average price at \$427,000, almost \$72,000 (?20.1%) above October 2003's average but down from the June peak of \$457,500. Since August 2001, average home prices increased over previous years' prices at double-digit rates 34 out of the 39 months. Since that time, average home prices increased almost \$145,000. According to a study conducted by Fiserv Case Shiller Weiss (FCSW), Montgomery County experienced the largest median five-year price increase in the Washington-Baltimore region. The FCSW study showed that the value of homes doubled over the five-year period through the second quarter of 2004 and is expected to increase between 9.5%-14.6% next year.

➤ **Retail Sales and Inflation.** Retail sales in the County as measured by sales tax receipts increased 7.1% in September compared to September 2003. Sales of nondurable goods were up 9.1% for the year led by purchases of building and industrial supplies (?19.2%) and hardware, machinery and equipment (?8.3%). With average home prices setting new records, consumer prices, excluding food and energy, were up 2.4% in September compared to September 2003. It was the largest twelve-month increase in over a year indicating that interest rates will continue to climb in the face of rising prices.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		2003
				2004	2003	
Leading Indicators						
National	Oct	-0.3%		3.3%		3.0%
Washington MSA	Sept	0.8%		2.7%		2.5%
Coincident Indicators						
National	Oct	0.3%		2.4%		1.1%
Washington MSA	Sept	-0.1%		7.7%		1.9%
Consumer Confidence Index						
National	Nov	-2.5%		21.5%		17.5%
South Atlantic Region	Nov	-1.7%		23.2%		16.5%
Consumer Sentiment (University of Michigan)	Oct	-2.7%		10.1%		6.8%
Consumer Price Index						
All Items (nsa)						
National	Oct	3.2%		2.5%		2.3%
Washington - Baltimore CMSA	Sept	3.1%		2.6%		2.8%
Core CPI (nsa)						
National	Oct	2.0%		1.7%		1.5%
Washington - Baltimore CMSA	Sept	2.4%		1.6%		2.4%
Retail Trade						
National (sales - nsa)	Oct	5.6%		7.6%		5.6%
Washington MSA (sales - nsa)	Sept	7.6%		8.0%		6.5%
Maryland (sales tax)	Sept	8.0%		9.5%		3.5%
Montgomery County (sales tax)	Sept	7.1%		6.7%		4.0%
Employment						
National (labor force data - nsa)	Oct	140,447,000	138,619,000	139,016,000	137,557,000	137,736,000
- Percent Change		1.3%		1.1%		0.9%
Washington PMSA (labor force data - nsa)	Oct	2,839,792	2,761,258	2,822,571	2,746,422	2,763,091
- Percent Change		2.8%		2.8%		1.6%
Montgomery County (labor force data)	Oct	508,518	496,150	503,180	492,191	495,052
- Percent Change		2.5%		2.2%		1.1%
Montgomery County (payroll)	Mar. '04	446,500	444,390	449,909	448,153	448,153
- Percent Change		0.5%		0.4%		0.5%
Unemployment						
National (nsa)	Oct	5.1%	5.6%	5.7%	6.1%	6.0%
Maryland (nsa)	Oct	3.9%	4.5%	4.1%	4.5%	4.3%
Washington PMSA	Oct	3.1%	3.4%	3.2%	3.6%	3.4%
Montgomery County	Oct	2.1%	2.6%	2.3%	2.7%	2.5%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	Oct	\$96,788	\$96,475	\$956,228	\$925,329	\$949,138
- Percent Change		0.3%		3.3%		-42.7%
Residential (\$ thousand)	Oct	\$78,528	\$69,238	\$461,761	\$552,463	\$567,664
- Percent Change		13.4%		-16.4%		-29.3%
Non-Residential (\$ thousand)	Oct	\$18,260	\$27,237	\$494,467	\$372,866	\$381,474
- Percent Change		-33.0%		32.6%		-55.5%
Building Permits (Residential)						
National	Oct	167,854	179,449	1,713,413	1,585,868	1,862,365
- Percent Change		-6.5%		8.0%		6.6%
Maryland	Oct	2,683	2,413	24,177	25,658	30,125
- Percent Change		11.2%		-5.8%		2.8%
Montgomery County	Oct	612	209	3,498	4,152	4,590
- Percent Change		192.8%		-15.8%		-8.4%
Building Permits (Non-Residential)						
Montgomery County	Oct	183	135	1,655	1,570	1,798
- Percent Change		35.6%		5.4%		-3.2%
Real Estate						
National (saar)						
Sales	Oct	6,750,000	6,390,000	6,580,000	6,070,000	6,100,000
- Percent Change		5.6%		8.4%		9.6%
Median Price	Oct	\$187,000	\$171,800	\$181,450	\$168,340	\$170,000
- Percent Change		8.8%		7.8%		7.5%
Montgomery County						
Sales	Oct	1,456	1,390	14,760	13,724	16,534
- Percent Change		4.7%		7.5%		2.9%
Average Price	Oct	\$426,715	\$355,431	\$426,062	\$357,730	\$362,997
- Percent Change		20.1%		19.1%		13.2%
Median Price	Oct	\$360,000	\$290,000	\$348,234	\$288,980	\$295,500
- Percent Change		24.1%		20.5%		15.5%
Average Days on the Market	Oct	30	26	26	28	27
(p) = Preliminary						

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